

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the year consisted of the design, manufacture and sale of toys, motors, electrical appliances and material primarily for use in cathode ray tube and liquid crystal display. There were no significant changes in the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 84.

An interim dividend of HK2 cents per ordinary share was paid to shareholders on 19 January 2006. The directors recommend the payment of a final dividend of HK4 cents per ordinary share in respect of the year, to shareholders on the register of members on 23 August 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements of the Group. The amounts for the years ended 31 March 2002, 2003, 2004 and 2005 in the five year financial summary have been adjusted in the effects of the retrospective changes in accounting policies as detailed in note 2.2 to the financial statements. This summary does not form part of the audited financial statements.

RESULTS	Year ended 31 March				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
TURNOVER	778,293	737,015	624,665	794,209	785,804
PROFIT FROM OPERATIONS	85,327	55,081	26,874	83,851	122,590
Finance costs	(1,116)	(838)	(276)	(255)	(1,365)
Share of profits and losses of associates	(15,764)	(17,254)	6,711	(2,099)	(1,336)
PROFIT BEFORE TAX	68,447	36,989	33,309	81,497	119,889
Tax	(4,017)	(4,187)	(3,456)	(6,766)	(9,309)
PROFIT FOR THE YEAR	64,430	32,802	29,853	74,731	110,580
ATTRIBUTABLE TO:					
Equity holders of the Company	59,901	29,746	25,346	70,607	99,409
Minority interests	4,529	3,056	4,507	4,124	11,171
	64,430	32,802	29,853	74,731	110,580

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES	2006 HK\$'000	As at 31 March			
		2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
NON-CURRENT ASSETS	338,061	339,182	366,854	306,122	251,519
CURRENT ASSETS	357,577	334,883	274,062	316,057	311,692
TOTAL ASSETS	695,638	674,065	640,916	622,179	563,211
CURRENT LIABILITIES	(98,016)	(122,725)	(119,069)	(113,858)	(90,957)
NON-CURRENT LIABILITIES	(12,672)	(25,151)	(22,524)	(10,320)	(8,696)
TOTAL LIABILITIES	(110,688)	(147,876)	(141,593)	(124,178)	(99,653)
NET ASSETS	584,950	526,189	499,323	498,001	463,558

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Group are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the share capital and movements in the share options of the Company during the year, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 March 2006, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to HK\$122,116,000, of which HK\$16,192,800 has been proposed as a final dividend for the year. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus of HK\$104,750,000 may be distributed under certain circumstances. In addition, the Company's share premium account with a balance of HK\$104,441,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 67% of the total sales for the year and sales to the largest customer included therein amounted to 52%.

Purchases attributable to the Group's five largest suppliers accounted for less than 30% of the total purchases of the Group for the year.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), nor those shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's major customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Cheng Chor Kit	
Fung Wah Cheong	(appointed on 26 August 2005)
Chui Pak Shing*	
Yuen Wai Kwong	
Wong Kin Chung	
Fan Sau Leung	(resigned on 17 October 2005)

Independent non-executive directors

Chung Chi Ping, Roy
Wong Chi Wai, Albert
Sun Kwai Yu, Vivian

* Subsequent to the balance sheet date, on 12 April 2006, Chui Pak Shing resigned as a director of the Company.

In accordance with the Company's Bye-laws, Fung Wah Cheong, Wong Kin Chung and Chung Chi Ping, Roy will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors confirm that the Company has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Cheng Chor Kit entered into a service contract with the Company commencing from 1 August 2005 without a fixed term but subject to termination by either party giving not less than six month's notice in writing to the other party. Wong Kin Chung entered into a service contract with the Company for terms of three years commencing from 1 April 1997, which has been renewed automatically each year for successive terms of one year subject to termination by either party giving not less than six months' notice in writing to the other party. Chui Pak Shing, Yuen Wai Kwong and Fung Wah Cheong entered into service contracts with the Company for terms of three years commencing from 22 April 2002, 17 December 2004 and 26 August 2005, respectively, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws unless terminated by either party giving not less than six months' notice in writing to the other party, the termination of which should not be later than the end of the three years. Subsequent to the balance sheet date, on 12 April 2006, Chui Pak Shing terminated the service contract with the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(A) Shares

Name of director	Long position/ short position	Capacity	No. of shares held	Percentage of the Company's issued share capital
Cheng Chor Kit	Long position	Founder of a trust	275,018,000 (Note)	67.94%
Fung Wah Cheong	Long position	Beneficial owner	3,146,000	0.78%
Wong Kin Chung	Long position	Beneficial owner	3,050,000	0.75%

Note: These shares, amounting to around 67.94% of the total issued share capital of the Company, are held by Resplendent Global Limited ("Resplendent"), a company incorporated in the British Virgin Islands. Padora Global Inc. ("Padora") is the beneficial owners of all the issued share capital of Resplendent. Padora is a company incorporated in the British Virgin Islands and is wholly-owned by Polo Asset Holdings Limited, which is ultimately owned by the trustees of a discretionary trust established by Cheng Chor Kit for his family.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)**(B) Underlying shares**

Name of director	Long position/ short position	Capacity	No. of share options granted	No. of underlying shares in respect of share options held and approximately percentage of shareholding	Date of share options granted	Exercise period	Exercise price per share
Cheng Chor Kit	Long position	Beneficial owner	2,000,000	2,000,000 (0.49%)	14/11/2003	14/11/2006 – 13/11/2013	HK\$1.592
Chui Pak Shing	Long position	Beneficial owner	422,000	422,000 (0.10%)	14/11/2003	14/11/2006 – 13/11/2013	HK\$1.592
Wong Kin Chung	Long position	Beneficial owner	312,000	312,000 (0.078%)	14/11/2003	14/11/2006 – 13/11/2013	HK\$1.592

The directors' interests in the Company's share options are disclosed in note 26 to the financial statements.

Save as disclosed above, none of the directors and chief executive had registered an interest in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issues.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option schemes disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 26 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Executive directors

Cheng Chor Kit, aged 54, is the Chairman of the Company. He is the founder of the Group and is responsible for the Group's overall operation and strategic planning. He is also the member of the Company's remuneration committee and nomination committee. He is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Congress (中國人民政治協商會議廣東省委員會委員), a member of the Shaoguan, Guangdong Provincial Committee of the Chinese People's Political Consultative Congress (中國人民政治協商會議廣東省韶關委員會委員), and a member of the Standing Committee of Shixing, Shaoguan, The People's Republic of China (the "PRC") (中華人民共和國韶關市始興縣政協常委). He has over 30 years' experience in the toy industry.

Fung Wah Cheong, aged 50, is the Deputy Chairman of the Company and is responsible for the corporate and business management of the Group. He is also the member of the Company's remuneration committee and nomination committee. He holds a MSc degree on engineering business management and has over 20 years experience in toy industry. Before he joined the Group in April 2005, he had worked as an engineering director in a sizeable toys manufacturing and distribution company.

Yuen Wai Kwong, aged 54, is an executive director of the Company. He is responsible for the marketing and engineering function of the toy division. He graduated from Hong Kong Polytechnic in 1975 and has more than 28 years experience in the toy industry. Before he joined the Group in April 2003, he had worked as senior executive in several major local and multinational toy manufacturing and marketing companies.

Wong Kin Chung, aged 60, is an executive director of the Company. He joined the Group in 1982 and is responsible for the overall operations in Shenzhen, the PRC. He has more than 20 years of experience in the toy industry.

Chui Pak Shing, CPA (Aust.), AHKICPA, aged 38, is the Chief Executive Officer of the Company. He joined the Group in 1997 and is responsible for the corporate and day-to-day management. He is a member of the CPA Australia, an associate member of the Hong Kong Institute of Certified Public Accountants and holds a master's degree in business administration from the United Kingdom.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (continued)**Independent non-executive directors**

Chung Chi Ping, Roy, JP, MSc, aged 54, has been an independent non-executive director of the Company since January 1997. He is also the Chairman of the Company's remuneration committee and the member of the Company's audit committee and nomination committee. He is the co-founder and managing director of Techtronic Industries Company Limited. He holds a Master of Science degree in Engineering Business Management from the University of Warwick. He was appointed as Justice of Peace by the Hong Kong SAR Government effective on 1 July 2005. Mr. Chung won the 1997 HK Young Industrialists Award, and is currently Deputy Council Chairman of Hong Kong Polytechnic University, Vice-Chairman of the Federation of Hong Kong Industries, President of Hong Kong Young Industrialist Council Limited, a non-official member of Committee on Economic Development and Economic Cooperation with the Mainland – Commission on Strategic Development, a member of Home Affairs Bureau – Sports Commission, Council Member of Vocational Training Council, Chairman of Electronics/Electrical Appliances Industry Advisory Committee of HK Trade Development Council, Vice-Chairman of Employers' Federation of Hong Kong, Elected Council Member and Executive Committee Member of Hong Kong Management Association, a member of the Advisory Board for Lingnan University's Faculty of Business, Director of the HK Safety Institute Ltd & the HK Standards & Testing Centre Ltd, Director of HK Applied Science and Technology Research Institute Co. Ltd (ASTRI) and the Vice-Chairman of the Governing Board of the Dongguan City Association of Enterprises with Foreign Investment. He is also an independent non-executive director of Daka Designs Limited.

Wong Chi Wai, Albert, aged 40, has been an independent non-executive director of the Company since September 2004. He is also the Chairman of the Company's nomination committee and the member of the Company's audit committee and remuneration committee. He is a certified public accountant (practising) in Hong Kong and an associate member of The Institute of Chartered Accountants in England and Wales. He has also been admitted as a barrister of the High Court of Hong Kong since 1998. He has over 18 years of experience in the accountancy profession and he currently is the owner of a certified public accountants firm, a senior consultant of another certified public accountants firm and an adviser of a law firm. He is also an independent non-executive director and audit committee member of Bonjour Holdings Limited and Arts Optical International Holdings Limited.

Sun Kwai Yu, Vivian, aged 44, has been an independent non-executive director of the Company since September 2004. She is also the Chairman of the Company's audit committee and the member of the Company's remuneration committee and nomination committee. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She has 18 year's experience working in a renowned international accounting firm and she is currently the founder and chief consultant of a consultancy firm.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity of interest and nature	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Cheng Chor Kit (Note)	Through a controlled corporation	275,018,000	67.94%	2,000,000

Note: These shares were held through Resplendent.

This shareholding is duplicated in the section headed "Directors' interests and short positions in shares and underlying shares" disclosed above.

The details of the share options outstanding during the year are separately disclosed in note 26 to the financial statements.

Saved as disclosed above, no person, other than Cheng Chor Kit, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CONNECTED TRANSACTIONS

Details of the connected transactions of the Group are set out in note 28 to the financial statements.

CORPORATE GOVERNANCE PRACTICES

Information on the Company's corporate governance practices is set out in the "Corporate Governance Report" on pages 15 to 19.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float pursuant to the Listing Rules during the year under review and up to the latest practicable date prior to the issue of this annual report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheng Chor Kit

Chairman

Hong Kong

24 July 2006